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Dear [insert MP’s name]

**MAKING TAX DIGITAL (MTD)**

I am writing to you as a constituent and Writers’ Guild of Great Britain (WGGB) member. I am a self-employed writer and I am very concerned about the government’s Making Tax Digital proposals. As part of its Making Tax Digital Roadmap, published in 2015, the Government has proposed that all self-employed workers should submit a quarterly report in an approved format to HMRC. These reforms, which will be included in the 2017 Finance Bill, have been the subject of a consultation by HMRC which has recently closed.

WGGB is a trade union representing over 2,000 self-employed writers in film, TV, theatre, radio, books and videogames. A summary of the main issues WGGB is concerned about follows.

**General concerns**

We think it is important for HMRC to provide taxpayers with further evidence about the data which has prompted these reforms. Specifically we are concerned that HMRC have not fully justified their assertions about the amounts lost due to tax errors e.g. £6.5 billion in tax year 2013/14. They refer to their Measuring Tax Gaps document but state that assumptions were applied to the £6.5 billion figure to break it down to revenue lost from small businesses within the scope of MTD.

Andrew Tyrie MP has written on behalf of the Treasury Committee to the Chancellor, reiterating the concerns expressed to the Committee by the Federation of Small Businesses and accountancy representative bodies.

**Key problems with the current Making Tax Digital proposals & suggested solutions**

**Threshold** – we think the £10,000 MTD threshold for gross turnover is far too low and would suggest instead the ***VAT registration threshold which is currently £83,000.***

**Cost** – quarterly submissions could escalate accountancy costs by 400%. If writers already have accountants, they could be tempted to look for a cheaper option and if they don’t equally they may look for the cheapest available i.e. it could become a “race to the bottom”. Other costs are hardware, software, possibly training. A lot of this cost may be ongoing.

**Software** – we think ***this should be free for users*** but we are not clear whether any free software will have the necessary functionality e.g. to deal with foreign earnings. Also issues around poor broadband connections, cyber security and storage space (particularly on Smartphones). If existing record keeping is accurate and meets requirements of MTD e.g. using Excel, why not allow taxpayers to keep using this? Also we propose that MTD is not rolled out until there is fast broadband coverage across the whole of the UK.

**Training and support** – HMRC have referred to webchats, telephony and ‘Needs Enhanced Support’ but would not be providing any face to face training. We ***think it is essential that support is accessible e.g. Helpline and that training should be supplied free, if necessary, by software providers.***

**Summary data every quarter** – this ***should be limited to income and expenditure*** (three line accounts) and it should be sufficient to provide totals for the latter done by the agent if need be i.e. no requirement to record transactions in real time.

**Delay in implementation** – MTD is due to commence operating in April 2018. HMRC have consulted on a delay for the smallest businesses (which has not yet been properly defined). We think that ***there should be a delay of at least two years for all businesses within MTD.*** This is because you need 2 years to pilot it properly – four quarters plus the nine month End of Activity period (to submit final adjusted figures).

**Voluntary Payments** – this is good in theory but cash flow varies so much for writers that a quarterly payment may end up being a lot more pro rata or a lot less than the eventual tax bill and so would not give an accurate indicator of eventual tax liabilities for most writers. For the same reason we do not think basing payments on account on quarterly submissions would be a good idea.

**Penalty system** – we think that ***if there is to be a penalty system it should be a fixed value model*** ***and penalties should be proportionate to and reflect the size of the business***. A decision to impose points under the new system should be appealable as well as the penalty itself once activated. A lead in period of at least two years is needed and information to taxpayers must be made as clear as possible.

**Exemptions** – HMRC have asked whether there should be further exempt groups e.g. as well as certain disabled groups. We believe ***that the self-employed entertainment sector should be exempt due to their variable work patterns and unpredictable income.*** They often work on short-term contracts and may get very little notice of new work. If the exemption is set at £10,000 our members may be above or below that figure depending on the year which will lead to confusion about the applicability of MTD. In addition, they may have great difficulty in providing the data for or meeting the 3 month submission targets.

I am sure you will appreciate that these proposals as currently envisaged will place an enormous burden on sole traders who may be on a relatively low income but still managing to keep going in the profession. It is well known what a huge contribution the creative industries make to our economy (£84.1bn GVA or 5.2 per cent of the UK economy on the latest figures) but I fear that in MTD in combination with other pressures on self-employed writers through cuts to arts budgets and welfare reforms will force many to consider whether they are able to remain in the profession.

I would urge you to do all in your power to seek an increase in the MTD threshold and to set out the concerns we all have on how this will impact on the profession going forward.

Any further questions can be addressed to the WGGB office by emailing [admin@writersguild.org.uk](mailto:admin@writersguild.org.uk) or phone: 020 7833 0777.

Yours sincerely

[insert your name and address]